

A Work Project, presented as a part of the requirements for the Award of a Master  
Degree in Management from NOVA School of Business and Economics

**Corporate Social Responsibility**

*THE RELATIONSHIP BETWEEN CSR AND EMPLOYEES IN TIMES OF  
ORGANIZATIONAL DISTRUST.*

Catarina Monteiro Vilalva

Student Number: 1851

A Project carried out with the supervision of:

Professor Joana Story

January 2015

## **Abstract:**

There is general consensus nowadays that CSR is not just altruistic do-gooding but rather a way for both companies and society to prosper. Companies themselves increasingly recognize that their sustainability depends on their willingness to assume responsibility for social and environmental issues. Academic research has, in the past, tried to theorize exactly how CSR improves business, employee satisfaction and productivity. However, few studies have a) separated the different effects of internal CSR and external CSR and b) studied these effects in times of internal organizational distrust. Hence, this paper examines the relationship between each type of CSR with two outcome variables related to employee attitudes: affective organizational commitment (AOC) and turnover intentions (TI). Furthermore, it investigates whether organizational distrust works as a moderator in each of these relationships by testing the hypothesis using a sample of 212 employees from a company that is currently going through a moment of internal crisis. Findings suggest that although all variables are strongly correlated, distrust works as a moderator for external CSR but not for internal CSR. The theoretical and practical implications of these findings conclude the paper.

## **Table of Contents:**

Introduction.....	1
Literature Review.....	3
• Organizational Distrust.....	9
Model.....	12
Methodology.....	12
• Study Case: Company X.....	12
• Sample and Procedure.....	13
• Measure.....	14
Results.....	15
Discussion.....	17
Limitations.....	19
Conclusions.....	20
Bibliography.....	21
Appendix.....	23

## **Introduction**

Corporate social responsibility (CSR) is a trending topic of the 21<sup>st</sup> century. It is defined by Oliver Falck and Stephahn Heblich as “*a voluntary corporate commitment to exceed the explicit and implicit obligations imposed on a company by society’s expectations of conventional corporate behavior.*”<sup>1</sup> This additional corporate effort described by the authors is observed both within the company (directed at employees) and without (directed at the community as a whole.) Internal CSR consists of all activities involving employee welfare and business ethics.<sup>2</sup> Human resource practices such as labor training or promotion of equality and diversity within management are examples of such activities. External CSR, however, are efforts that seek improvement in a broader sense, and not just for the direct organizational stakeholders. Corporate initiatives meant to better or advance society altogether belong in the realm of corporate social responsibility, including the various forms of company involvement with charitable causes and nonprofits.<sup>3</sup>

Though the subject has recently gained much attention, CSR is actually not a new practice for companies at all.<sup>4</sup> What is new is the intention to use it strategically whilst understanding its impact both on the company and on the community.<sup>5</sup> Prior to the 90s, companies mostly “did good to look good.”<sup>6</sup> Funds were allocated to as many organizations as possible, but little was done to establish quantifiable outcomes for the business or the social cause.<sup>7</sup> In other words, CSR was mainly reduced to writing checks

---

<sup>1</sup> Oliver Falck and Stephan Heblich. Corporate social responsibility: doing well by doing good. Business Horizons (2009). Page 247.

<sup>2</sup> Hae-Ryong Kim, Moonkyu Lee, Hyoung-Tark Lee, Na-Min Kim. Corporate Social Responsibility and Employee-Company Identification. Journal of Business ethics (2010), page 557.

<sup>3</sup> Ibid, page 557

<sup>4</sup> Paul R. Portney. The (Not So) New Corporate Social Responsibility: An Empirical Perspective. Oxford Journals-Social Sciences- Rev Environmental Economics and Policy Vol. 2. (2008) Page 270

<sup>5</sup> Michael E Porter and Mark R. Kramer. Strategy & Society. Business Harvard Review, (2006). Page

<sup>6</sup> Philip Kotler and Nancy Lee. Doing the most good for your company and your cause. John Wiley & sons. (2005) Page 84.

<sup>7</sup> Ibid, Page 9.

and trusting it was for the better. Now it is perceived as a crucial area of a company's overall strategy due to growing evidence that such practices also effect brand image and ultimately, the company's bottom line.<sup>8</sup>

CSR lies on the belief that public policies are often insufficient or ineffective for tackling social issues: companies also have the potential and the social/moral obligation to contribute to the development of the community.<sup>9</sup> This holds true especially in developing countries where governments are many times constrained or unable to cover basic standards of welfare and infrastructure for their citizens, which allows companies to step in and fill this gap.<sup>10</sup> Recently, India's government was the first to mandate a minimum spend on CSR initiatives through a law that came into effect April of this year: big companies are now compelled to spend at least 2% of their net profit on CSR activities.<sup>11</sup> Whether this controversial decision will lead to real benefits for the socio-economic development of India or lead to more corruption and "forced philanthropy" is something only time can tell. Nonetheless, if this tendency continues and prevails globally, the academic research on CSR becomes even more crucial. Thoroughly understanding the outcomes of these types of activities is pivotal both for companies and for society.

This paper focuses on the implications of CSR internally, for the company and more specifically, for employees. Past studies have shown that when CSR is used strategically, it can create a competitive advantage even through its workforce.<sup>12</sup> For instance, if CSR increases employee satisfaction and identification with the company, this

---

<sup>8</sup> Ibid, page 10.

<sup>9</sup> Op cit, Falck and Heblich. Page 249

<sup>10</sup> Dima Jamali. The Case for Strategic Corporate Social Responsibility in Developing Countries. Business and Society Review, (2007) Page. 9.

<sup>11</sup> <http://www.theguardian.com/sustainable-business/india-csr-law-debate-business-ngo>, accessed on the 5<sup>th</sup> of October, 2014

<sup>12</sup> Op cit, Porter and Kramer. Page 88.

may translate into increased productivity and retention rate.<sup>13</sup> However, questions remain concerning how CSR provides such perks: the combination of factors a company needs in order to achieve them is still unclear. This paper studies the effects of distrust on two different employee attitudes that have previously been correlated with CSR:<sup>14</sup> Organizational affective commitment and turnover intentions. The hypothesis presented here separates CSR Internal from CSR External and studies the effect of distrust in the correlation with the abovementioned employee attitudes. The model is tested with employees from a selected Portuguese company. The purpose is to get one step closer to finding out precisely which elements reinforce or hinder these correlations in order to help companies successfully achieve all the potential benefits that CSR can bring.

### **Literature Review:**

Strategic CSR is the integration of a social perspective into the core framework that a company uses to understand competition and guide its business strategy.<sup>15</sup> It invokes the idea that CSR is actually more than just a constraint, a cost or a charitable deed. Managed adequately, it can be a source of opportunity, innovation and competitive advantage<sup>16</sup> According to E. Porter and R. Kramer, the relationship between business and society should not be perceived as a zero-sum game because these elements are not opposing forces. In fact, they are interdependent: successful corporations need healthy societies to operate in; Healthy societies in turn, need good companies for creating jobs, wealth, and innovation that improve standards of living and social conditions overtime.<sup>17</sup> In other words, CSR should not harm the company but rather help it prosper over the long

---

<sup>13</sup> Op cit, Portney. Page 264.

<sup>14</sup> Stephan Brammer, Andrew Millington and Bruce Rayton. The contribution of corporate social responsibility to organizational commitment. *The International Journal of Human Resource Management*. (2007) Pages 1701-1719. Allen, N.J., and J. P. Meyer. "The measurement and antecedents of affective, continuance, and normative commitment in organizations". *Journal of Occupational Psychology*. (1990).

<sup>15</sup> Peter A. Heslini and Jenna D. Ochoa. Understanding and developing strategic corporate social responsibility *Organizational Dynamics*, Vol. 37, No. 2, (2008) Page 129

<sup>16</sup> Op cit, Porter and Kramer. Page 80

<sup>17</sup> Ibid, page 83.

run. This realization, alongside increasing demands by different social activists, has made CSR a priority for business leaders all over the world.<sup>18</sup> Moreover, past academic work has suggested that corporate social initiatives can significantly effect key performance factors.<sup>19</sup> Philip Kotler and Nancy Lee describe how CSR can lead to numerous bottom-line benefits such as:

1. Increased sales and market share
2. Strengthened brand positioning
3. Enhanced corporate image clout
4. Increased ability to attract, motivate and retain employees.
5. Decreased operating costs
6. Increased appeal to investors and financial analysts.<sup>20</sup>

This paper focuses on what concerns the fourth benefit- employee attitudes and productivity. Past research has concluded that employees are more likely to feel pride and joy in their work if their company is involved with social initiatives or cause-related programs.<sup>21</sup> Such positive feelings by employees towards their job are likely to produce desirable outcomes on a company's overall performance. After all, employees are considered key stakeholders of organizations and as such, it has become pivotal to nurture their sense of loyalty and commitment to it, as well as provide them with a good working environment in general. Sean Valentine and Gary Fleischman state that "by satisfying employees expectations about CSR, as well as business ethics in general, companies should expect improved job attitudes, increased productivity and reduced turnover."<sup>22</sup>

---

<sup>18</sup> Ibid, Page 80.

<sup>19</sup> Op cit, Portney, Page 264-270.

<sup>20</sup> Op cit, Kotler & Lee, Page 11

<sup>21</sup> Ibid, Page 16

<sup>22</sup> Sean Valentine and Gary Fleischman. Ethics Programs, Perceived Corporate Social Responsibility and Job Satisfaction. Journal of Business ethics (2007). Page 160.

Although CSR relates to numerous aforementioned positive outcome variables, this study focuses on two: Organizational affective commitment and turnover intentions.

- Organizational Commitment (OC): is the level of identification between an individual and an organization. The attitudinal view of organizational commitment gained popularity with Meyer and Allen's Model, which separates the variable into three: affective commitment, normative commitment, and finally, continuance commitment.<sup>23</sup> Affective organizational commitment (AOC), is considered more relevant for the purpose of understanding organizational behavior because affectively committed workers, that is, those with personal identification and emotional attachment to the company, are not only more likely to stay in the organization, but also more likely to exert considerable efforts to benefit it.<sup>24</sup>

- Turnover Intentions (IT): refers simply to the desire or intention of leaving a job. A person's desire to quit an organization is better understood through the subjective nature of employment relation. The psychological contract theory, described by Sandra L. Robinson, suggests that employees might feel compelled to leave if the employer does not fulfil their job expectations or comply with the unwritten or informal promises perceived by them initially.<sup>25</sup> Though this breach in psychological contract is all about unmet expectations and misperception, it may eventually cause excessive turnover, which ultimately disturbs a company's reputation and stability.

How can CSR produce such outcome variables? At this point, it is necessary to distinguish between CSR Internal and CSR External because each have different mediators in the path to the dependent variables. For this reason, this paper holds external

---

<sup>23</sup>Jane Collier and Rafael Esteban. Corporate social responsibility and employee commitment. *Business Ethics: A European review*. Vol.16. (2007) Page 23.

<sup>24</sup> Daniel Roque Gomes. Organizational change and job satisfaction: the mediating role of organizational commitment. *Exedra Jouranl* (2009) Page 181

<sup>25</sup> Sandra L. Robinson. Trust and Breach of psychological contract. *Administrative Science Quarterly*, Vol. 41, No. 4 (1996). Pages 574-576

CSR and internal CSR as two separate variables. This means that the outcome variables will be tested for each, and not together. The purpose of this is to gain insights regarding differences in the results provoked by the two types of CSR practices.

External CSR is noticeably linked to corporate reputation and consumer preference. This seems logical because activities here are directed to issues that affect a much larger range of people and not just those that belong to the company. Falck and Heblich argue that a company that leads a socially desirable action is likely to secure or expand its market share by leveraging on the consequences it inevitably brings: improved reputation among customers and increased brand awareness.<sup>26</sup> Nonetheless, external CSR can have an indirect impact on employee productivity and satisfaction too.

Employees can form identification with their organization by evaluating the attractiveness of it themselves or by reflected evaluation, that is, by the perceived appeal that it has to the external public. This is because employees will take pride in the affiliation with their company if they believe that outsiders have a positive perception of their work environment.<sup>27</sup> Hence, “Perceived External Perception” (PEP), also known as “construed organizational image”<sup>28</sup> is a type of identification through the way that organizational members believe others view their organization so as to evaluate its attractiveness. Employees form PEP through outside information sources, both formal and informal: word of mouth, press releases, publicity, reputation within family or group of friends, etc... The fact that employees feel rewarded when belonging to a socially valued company makes way for the argument that employee identification with the company is largely based on the admiration of others. PEP is therefore, a mediator in the

---

<sup>26</sup> Op cit, Falck and Heblich. Page 249.

<sup>27</sup> Op cit, Hae-Ryong Kim, Moonkyu Lee, Hyoung-Tark Lee, Na-Min Kim. Page 558.

<sup>28</sup> Op cit, Collier & Esteban. Page 28.



relation between external CSR and the outcome variables because it helps explain how the first causes the second.

Social identity theory developed by Henri Tajfel and John Turner in the 70s helps explain this complex relation. It states that individuals define themselves through membership in different social categories and groups, including the organization in which they work. Hence, organizational members will feel their own identity intertwined with organizational identity. This means that if an organization is somehow viewed negatively, employees are bound to feel uncomfortable with their own self-understanding and confused about their allegiance.<sup>29</sup> Thus, individuals pro-actively seek to enhance their self-concept by strengthening their identification with appealing social groups. This suggests that individuals are happiest when they associate themselves with organizations that have positive reputations, that is, when PEP is high, because they are able to enhance their self-concept and even their self-esteem.<sup>30</sup>

Hence, the first set of hypothesis:

**H1a.**CSR External is positively related to AOC

**H1b.**CSR External is negatively related to TI

Internal CSR has a more evident impact on employee wellbeing and job relation because activities in this area are designed directly for their benefit and use. Markedly, a firm's formal compensation system (all that concerns competitive salaries, promotions, special benefits and bonuses) is usually not enough to motivate and retain competent employees. As is confirmed by social identity theory and the psychological contract theory, employees also need elements of their working life that satisfy their self-image concept and their psychological needs.<sup>31</sup> Hence, identification with the firm is vital.

---

<sup>29</sup> Ibid, page 27.

<sup>30</sup> Candace Jones and Elizabeth Hamilton Volpe. Organizational identification: Extending our understanding of social identities through social networks. *Journal of Organizational Behavior* Vol. 32 (2010) Page 417.

<sup>31</sup> Op cit, Collier & Esteban, page 27.

Organizational identification, unlike PEP, is how employees themselves view their company, regardless of others. Thus, their personal experience with the company is crucial for this type of identification, because their opinion and attitude concerning their own job is formed. Social identity theory suggests that employees who identify strongly with the organization will use organizational attributes to define part of their own self definition.<sup>32</sup> Furthermore, it implies that the way in which employees perceive their organization shapes their behavior and the way they work.

Social exchange theory introduced by George Hommans and later redefined by other authors such as Peter M Blau, supports this relationship. It states that in a work setting, employees who feel taken care of and supported by their employer are likely to return the gesture; that is, bring in positive performance. This is because social exchange relies on reciprocity: an interdependent bidirectional transaction that presupposes mutual benefits- when something is given, something else is returned.<sup>33</sup> Similar to the psychological contract, it does not necessarily include explicit bargaining from both parties but rather a mutual understanding of expectations and execution. Thus, if a company chooses to attend to employee's desires, ambitions and welfare, it is likely that they will return the favor through indirect means: commitment to the company, promotion of their work place, organizational citizenship behaviors and even increased productivity. Organizational identification through personal experience and opinion thus works as a mediator in the relationship between internal CSR and the chosen dependent variables. Cropanzano and Mitchell call this phenomenon a "re-enforcing cycle" that in the long-run produces better work relationships and stronger mutual commitments.<sup>34</sup> Hence, it is safe to assume that the more the company invests on the employee, the more he/she

---

<sup>32</sup> Ibid, page 28

<sup>33</sup> Russell Cropanzano and Marie S. Mitchell. Social Exchange theory: An Interdisciplinary Review. *Journal of Management*, Vol. 31. (2005) Page 876

<sup>34</sup> Ibid, page 4.

identifies with it, making it all the more likely to result in the aforementioned outcome variables.

Hence, the second set of hypothesis:

**H2a.** CSR Internal is positively related to AOC

**H2b.** CSR Internal is negatively related to TI

Organizational Distrust:

Finally, this paper seeks to understand what happens to these relationships in a context of less stability and organizational distrust. The objective is to understand if distrust can severely diminish the effects of positive CSR perceptions or if CSR perceptions by itself is enough to sustain employee commitment and loyalty in times of crises. Distrust is tested as a moderator, that is, a variable that strengthens or weakens the previously described relationships.

Organizational distrust is a breach in trust developed by organizational members towards the organization itself. A climate of distrust is defined as the negative expectations that individuals have about the intent and behaviors of multiple organizational members based on organizational roles, relationships, experiences, and interdependencies.<sup>35</sup> One of two things usually causes it: 1) circumstantial or unintentional errors where nobody is to blame or 2) perception of more serious fractures involving fraudulent acts, lies, reneging, incompetence, indifference, cynicism, lack of caring, insincerity and the breaking of contracts.<sup>36</sup> As Roderick M. Kramer explains, trust is fundamentally a psychological state and the erosion of this state is due to unmet expectations and general beliefs. Thus, it is vital to understand the sources of these expectations and beliefs, that is, the bases of organizational trust. The author identifies

---

<sup>35</sup> Leonard Huff and Lane Kelley. Levels of Organizational Trust in Individualist versus Collectivist Societies: A seven-Nation Study. *Organization Science*, Vol 14. No.1 (2003) Page 82

<sup>36</sup> Becky J. Starnes, Stephen A. Truhon, and Vikkie McCarthy. A primer on Organizational Trust. *Organizational Trust: Employee-Employer relationship*. ASQ- Division of Human Development and Leadership. Page 7.

six critical bases for organizational trust: 1) Dispositional trust: A general pre-disposition to trust or distrust people, related to the perception of human nature and generalized to an organizational setting. 2) History-based trust: Depends on a long process of interactions between two or more interdependent actors in order to assess trustworthiness of others and predict their future behavior. 3) Third parties as conduits of trust: third parties are able to diffuse trust –relevant information within an organization via gossip<sup>37</sup> 4) Category based trust: presumptive trust based on membership of a social or organizational category. 5) Role-based trust: Trust is embedded in the knowledge that a person occupies a particular role in the organization rather than specific knowledge about their capabilities, dispositions, motives and intentions.<sup>38</sup> 6) Rule-based trust: trust in explicit and tacit understandings regarding transaction norms, interactional routines and exchange practices, all of which provide basis for inferring how others are likely to behave.<sup>39</sup>

Nonetheless, trust is easier to destroy than to create. Distrust is easily diffused if any of these bases are shaken or unstable. Kramer also highlights the important role that Media plays in such circumstances. Media tends to promote greater mistrust and cynicism especially if it covers sensationalist stories or publishes poorly founded speculations. Thus, Media attention in a moment of crisis or instability enhances anxieties and uncertainties for organizational members in all levels because it provokes questions, rumors and suspicion.<sup>40</sup> Furthermore, following the logic of social identity theory and social exchange theory, it makes sense that episodes of wrongdoing in corporate history that become public knowledge may leave employees feeling uncomfortable with their own self-understanding and confused about their allegiance.<sup>41</sup>

---

<sup>37</sup> Gossip, defined here, as a “second-hand” knowledge about others.

<sup>38</sup> This holds especially true in the case of a meritocratic hierarchy because there are common assumptions regarding the difficulties to overcome and the expertise needed to obtain such a role.

<sup>39</sup> Op cit, Kramer, pages 575-579.

<sup>40</sup> Ibid, page 583

<sup>41</sup> Op cit, Collier & Esteban. Page 27

In this context, distrust should moderate the relationship between External CSR perceptions and the outcome variables because such public wrongdoings and negative media attention are likely to damage employee-company identification by diminishing his/her perceived external prestige of the company in question.

Hence, the third set of hypothesis is the following:

**H3a.** Distrust moderates the relationship between CSR External and AOC, such that when distrust is high, the positive relationship is weaker than when distrust is low.

**H3b.** Distrust moderates the relationship between CSR External and TI, such that when distrust is high, the negative relationship is weaker than when distrust is low.

Distrust and suspicion are also likely to emerge when an organizational change is taking place. Organizational change is defined as any structural, strategic, cultural, human or technological transformation, capable of generating impact in an organization<sup>42</sup>. In this scenario, and especially if internal communication is flawed, speculations often replace facts and suspicion arise in all levels of a company. When distrust breeds from organizational change, employees naturally become concerned with the consequences of change on their work-life: whether it will benefit them or not, or whether the usefulness of their job will stay the same are examples of common questions.

Regardless of the source of distrust, when employees are feeling suspicious, they may interpret specific incidents as acts of betrayal. According to Starnes, Truhon and McCarth, this not only generates distrust but also provokes a decline in worker self-confidence, communication, cooperation, and levels of effort.<sup>43</sup> It is also likely to increase turnover intention because as Sandra L Robinson argues, trust is a critical element of the psychological contract between an employer and an employee.<sup>44</sup>

---

<sup>42</sup> Op cit, Gomes. Page 179

<sup>43</sup> Op cit, Becky J. Starnes, Stephen A. Truhon, and Vikkie McCarth. Page 7

<sup>44</sup> Op Cit, Robinson. Page 580

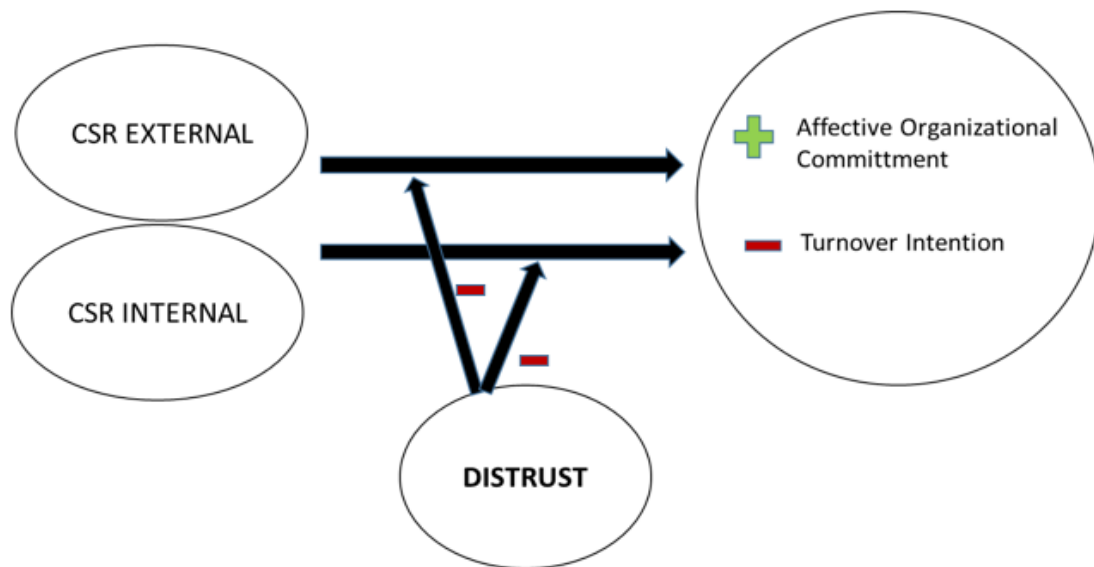
In this sense, distrust should moderate the relationship between CSR Internal and the outcome variables because such unexpected changes within the organization is likely to alter an employee's experience and personal identification with the company.

Hence, the fourth and final set of hypothesis:

**H4a.** Distrust moderates the relationship between CSR Internal and AOC, such that when distrust is high, the positive relationship is weaker than when distrust is low.

**H4b.** Distrust moderates the relationship between CSR Internal and TI, such that when distrust is high, the negative relationship is weaker than when distrust is low.

**Model:**



The model above illustrates all sets of hypothesis. CSR Internal and CSR External are measured and analyzed as two separate variables. The purpose is simply to prove that distrust works as a moderator in the relationship between each perceived CSR and the outcome variables.

**Methodology:**

**Study Case: Company X**

A large and important Portuguese company collaborated for the purpose of this research and the testing of this model. However, the company preferred to maintain an

anonymous identity and hence, it will be referred to as “Company X” from here thereon. In its most recent sustainability report, company X re-affirms its will to play an active role in the community and respond to real societal needs. Thus, it invests significantly in both external and internal CSR practices including diverse involvement in civic and cultural activities, volunteer programs and environmental-friendly practices.

This particular company was chosen for this research for a number of contextual factors. Of late, Company X has received continuous attention from the Media due to information regarding financial troubles, technical problems, increasing customer dissatisfaction and countless employee strikes. Moreover, Company X is expected to undergo a major organizational change in the next couple of years- one controversial enough to inevitably effect employee attitude. The union labor has already pronounced itself explicitly against this change- having even created and signed a public petition directed at high-level national authority. Such an environment of change and media attention causes speculations, suspicion and competitiveness among employees, consequences of a newfound fear of routine adjustments or getting laid off. Ergo, it is a scenario in which distrust is likely to breed both horizontally and vertically.

#### Sample and Procedures

An online survey of 53 statements was sent out to employees of company X with the approval and support of the human resource department. In two weeks, a total of 268 surveys were started and 211 were completed, meaning a 79% response rate. The population sample consisted of any employee from Company X, independent of age, profession or gender. The final sample consisted of 57,46% female respondents and 42,54% male. Moreover, 19% of respondents belonged to the age group of 18-26, 28% to 27-35, 34% to 35-50, and finally, 19% were 50 or older. Such demographic variables were included in the survey and used as controls because past studies have shown that

age and gender are sometimes related to organizational commitment and turnover intentions.<sup>45</sup>

### Measures

Both CSR External and Internal are measured with “employees CSR associations”- that is, solely by the perception employees have of their company’s stand on important societal matters. Though it is a subjective measure, Turker defends it is the best way to identify the implications of CSR on key stakeholders, namely, on employees. Hence, a CSR Internal/CSR External Scale was borrowed from Turker 2009 which includes items such as “Our company makes investment to create a better life for the future generations” and “Our company policies encourage the employees to develop their skills and careers.”<sup>46</sup> Cronbach’s  $\alpha$  was 0.86 for CSR external and 0.88 for CSR internal.

AOC is measured with the revised items from Allen and Meyers model, which includes items such as “I am very happy being a member of this organization” and “I do not feel like ‘part of the family’ at my organization.” Cronbach’s  $\alpha$  was 0,82.

Turnover Intentions is measured with a straight-forward four item scaled that include statements such as “I would rather work in another organization” or “I plan on working in this organization for a very long time”.<sup>47</sup> Cronbach’s  $\alpha$  was 0,85.

Finally, internal organizational distrust is measured with a simple four-item scale borrowed by Huff and Kelley and adapted to this paper. It includes statements such as “There is a very high level of distrust through-out this organization” and “Managers in this company trust their subordinates to make good decisions”.<sup>48</sup> Cronbach’s  $\alpha$  was 0,84.

---

<sup>45</sup> Meyer, J. P., Stanley, D. J., Herscovitch, L., & Topolnytsky, L.(2002). Affective, continuance, and normative commitment to the organization: A meta-analysis of antecedents, correlates, and consequences. *Journal of Vocational Behavior*, 61, 20–52.

<sup>46</sup> Duygu Turker. “How Corporate Social Responsibility Influences Organizational Commitment”. *Journal of Business Ethics*, Vol 89 (2009) Page 200.

<sup>47</sup> Op cit, Robinson.

<sup>48</sup> Op cit, Huff and Kelley. Page 85



All items previously described were included and all scales used were 5-point Likert-type scales, anchored in 1—Completely disagree and 5—Completely agree.

### **Results:**

A Pearson Correlation analyses ensures that there is effectively an existing correlation between all variables.<sup>49</sup> However, what matters most for the purpose of this research is the correlation between CSR external and CSR internal with the remaining variables. Table 1 presents descriptive statistics and correlations. The results confirm the first two sets of hypothesis: Organizational commitment is positively related with CSR external and with CSR internal. This means that if the perception of external or internal CSR increases, then so will the aforementioned values. Conversely, turnover intention is negatively correlated with the independent variables. Hence, if perception of external or internal CSR increase, than employee turnover intention will decrease.

Table 1: Descriptive statistics and correlations.

<b>Variables</b>	<b>M</b>	<b>SD</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b><math>\alpha</math></b>
<b>1.CSRExternal</b>	4,1062	0,66565	-	,776**	,373**	-,485**	-,484**	0.86
<b>2.CSRInternal</b>	4,1143	0,77390	,776**	-	,547**	-,552**	-,681**	0.88
<b>3.AOC</b>	4,1952	0,58537	,373**	,547**	-	-,782**	-,534**	0,82.
<b>4.TI</b>	1,6619	0,84923	-,485**	-,552**	-,782**	-	,492**	0,85.
<b>5. Distrust</b>	2,1226	1,02809	-,484	-,681	-,534**	,492**	-	0,84.

N=211

An initial observation can be made regarding the variable distrust: it too is negatively correlated with CSR perceptions. Although the nature of this correlation is yet to be explored, thus far it is known that when CSR perceptions increase, distrust will decrease.

---

<sup>49</sup> See figure 1 on appendix for the complete Spearson Correlation table.

However, perceptions of CSR are relatively high in company X, but “distrust”, with a mean of 2.1226, is lower than expected. This is curious given the company’s current situation and context.

The use of statistical ANOVA regressions deliver further insights. A simple linear regression shows that the level of external CSR together with the level of distrust in Company X explains 44,7% of affective commitment and 32,5% of turnover intentions. In the case of internal CSR and distrust, it explains 48,1% and 32,9%, respectively.<sup>50</sup> What is worth noting, however, is that the adjusted r for external CSR increases significantly with the addition of distrust, whereas for internal CSR the increase only a negligible 1% and 2%. This means that the level of distrust in Company X helps explain the correlation between external CSR and the outcome variables, but not the relationship between internal CSR. However, how distrust effects this relationship is to be examined next.

**Table 2: Change in Adjusted R<sup>2</sup> with both CSR EXT and distrust as predictors.**

		<b>AOC</b>	<b>TURNOVER</b>
<b>CSR External</b>	Adjusted R <sup>2</sup>	0,242	0,225
<b>CSR External + Distrust</b>	Adjusted R <sup>2</sup>	0,447	0,325
<b>Change in Adjusted R<sup>2</sup></b>		0,206	0,102

This paper suggests that distrust acts as a moderator between CSR and the outcome variables. To certify this, moderating linear regressions were conducted.

The case for CSR internal was discarded and will not be presented here because all moderating regressions for this relationship proved to be insignificant. ( $p > 0.05$ ). This was expected since the previous regression had demonstrated that distrust had little explanatory power to add to the relationship between CSR internal and the outcome variables.

---

<sup>50</sup> See figure 2 on appendix for ANOVA Regressions.

Non the less, the moderating regression for CSR external and distrust and the outcome variables had the following results:

**Table 3: Moderating Regressions with CSR External and distrust.**

	<b>B</b>	<b>t</b>	<b>Adjusted R<sup>2</sup></b>	<b>Change in Adjusted R<sup>2</sup></b>	<b>Significance</b>
<b>AOC</b>	0,107	1,956	0,452	0,010	0,052
<b>TURNOVER</b>	0,0739	-1,5074	0,3308	0,080	0,034

Though affective organizational commitment is on the borderline of significance, it is enough to infer that distrust acts as a moderator in the relationship between external CSR and both of the outcome variables. This means that when distrust is high, the positive relationship with AOC will be weaker and the negative relationship with TI will be weaker too. Thus, the third set of hypothesis (3a and 3b) are true whereas the fourth set is false. (4a and 4b)<sup>51</sup>

### **Discussion:**

The data analyses grants three important conclusions: The first is a re-confirmation of what has already been proposed in past studies: CSR is positively related to affective organizational commitment and negatively related to turnover intentions. This paper, however, further explores the influence of organizational distrust by testing it as a moderating variable. This allows the understanding of how CSR can be beneficial or prejudicial to a company when there is a lack of organizational trust. Since any business in the world is likely to go through times of crisis at one point or another, this can be valuable information for managers to withhold. Moreover, this study separates External CSR from Internal CSR because theoretically they produce the outcome variables through different means. Managers should thoroughly comprehend the different effects provoked

---

<sup>51</sup> See figures 3 and 4 on appendix for the significant moderating regressions and their respective interaction plots. Next, see figure 8 for the non-significant results.

by each and that one may be of more use than the other depending on business goals and context.

The second conclusion is that distrust is correlated to all variables measured and that it is a significant factor for justifying the levels of employee affective commitment and turnover intentions. Finally, the results show that distrust does effectively act as a moderator between external CSR and the aforementioned outcome variables. This suggests that if the climate of distrust within an organization is high, external CSR does not improve employee commitment and retention. Such results advocate the necessity of organizational trust: without it, external CSR initiatives can do little or nothing to improve employee attitudes regarding their job. Thus, managers should realize that external CSR practices will only have a positive impact in employee attitude and performance if there is a solid culture of trust within the organization. This is because such high levels of trust are essential for a) adapting to continuous change, b) recruiting, and retaining highly motivated employees.<sup>52</sup>

Moreover, a number of questions arise with the non-significant results. The perception of internal CSR was almost equally as high as external CSR and both passed the first set of hypothesis. (See table 1). However, the relationship with outcome variables proved to be very different. The question is then: why is distrust moderating the relationships for external CSR and not for internal? Mediation theory may provide useful insights. If internal CSR can indirectly generate benefits for a company regardless of the level of distrust within it, then two remarks must be made: First, in accordance to what was already previously explained in the literary review, it is likely in this case that employees relate to the company primarily through self-identification rather than external prestige. Personal experience is more important than external reputation. In other words,

---

<sup>52</sup> Op cit, Becky J. Starnes, Stephen A. Truhon, and Vikkie McCarth. Page 6 and 11.

employees identify with their company no matter the distrust levels if internal CSR practices are enough to make them feel taken care of and content with their job. If this is really the case, then it is arguably more important for a company to invest on internal CSR than on external CSR when a) employees are prioritized stakeholders and b) if there is a need to actively avoid employee dissatisfaction and crisis. This is an advisable strategy for Company X because reputation may collide quickly with outbreaks of distrust but a fulfilling personal experience with work can keep employees committed and loyal to their organization.

Academically, these findings contribute to better understanding the outcomes produced by External CSR and Internal CSR. They also hint towards the importance of organizational trust. In practice, however, these findings may contribute to management know-how by enabling managers to understand the means through which CSR can improve business.

**Limitations and direction for future studies:**

Though thought-provoking outcomes were here found, this paper presents limitations that need to be taken into consideration. The online survey method, for example, has a major drawback: it produces common method bias, since data was collected from the same source. In addition, inflated numbers and percentages are anticipated since participants were obliged to assess variables at the same time, which inevitably alters their perception and association of such variables. In other words, it causes systematic measurement error and further bias the estimates of the true relationship among theoretical constructs. A Harman's single factor test confirmed the existence of a common method bias in this study: one factor accounted for the majority (62,69%) of the variance in the variables.<sup>53</sup>

---

<sup>53</sup> See figure 5 on appendix for CMB factor analyses

Moreover, cross-section design studies also convey limitations. Since exposure and outcomes are simultaneously assessed, it is difficult to determine causality between variables.

Furthermore, the mediation variables were not measured and not included in this model due to the use of inadequate scales. This did not impede the analyses of distrust as a moderator between the independent and the dependent variables but it could have made the study more complete. This should be done eventually in order to suitably understand the mediating effect of organizational identification and perceived external prestige by conducting a research with the appropriate scales and a longitudinal framework design.

Finally, further research could attempt to discover exactly how External CSR could be useful for the company, internally, in times of organizational crisis and distrust. Findings related to this would provide great incentive for firms to engage in external CSR not merely to satisfy customer demand but also to guarantee employee satisfaction and involvement with the company.

## **Conclusion**

This paper suggests that a high perception of internal CSR is enough to keep employees committed to a company no matter the level of organizational trust. Indeed, internal CSR makes employees feel highly regarded and valued within their organization, which makes them want to stay, even in times of crisis. External CSR practices could probably also influence on the commitment and retention of employees but in a different organizational context. Such a scenario in which employees' value prestige over personal experience and identification is yet to be discovered by academics of CSR. These studies are crucial for managers to understand the consequences of their decisions and learn to invest on the right type of CSR at the right time.

## **Bibliography:**

### **Books:**

- Kotler, Philip and Nancy Lee. Doing the most good for your company and your cause. John Wiley & sons. (2005)

### **Journal Articles:**

- Allen, N.J., and J. P. Meyer. "The measurement and antecedents of affective, continuance, and normative commitment in organizations". Journal of Occupational Psychology. (1990).
- Berger, I. E., P. H. Cunningham and M. E. Drumwright: 'Identity, Identification, and Relationship Through Social Alliances', Journal of the Academy of Marketing Science (2006) Pages 128-138
- Brammer, Stephan and Andrew Millington and Bruce Rayton. The contribution of corporate social responsibility to organizational commitment. The International Journal of Human Resource Management. (2007) Pages 1701-1719
- Collier, Jane. and Rafael Esteban. Corporate social responsibility and employee commitment. Business Ethics: A European review. Vol.16. (2007) Pages 19-31
- Cropanzano, Russell and Marie S. Mitchell. Social Exchange theory: An Interdisciplinary Review. Journal of Management, Vol. 31. (2005) Pages 874-900
- Dietz, Graham and Deanne N. Den Hartog. Measuring trust inside organizations. Personnel Review, Vol 35 (2006). Pages 557-588.
- Dyne, Van Graham and Dienesch, Organizational Citizenship Behavior: Construct redefinition, measurement, and validation. Academy of Management Journal, Vol 37. (1994) Pages 765-802
- Falck, Oliver and Stephan Hebllich. Corporate social responsibility: doing well by doing good. Business Horizons (2009). Page 247-254
- Gomes, Daniel Roque. Organizational change and job satisfaction: the mediating role of organizational commitment. Exedra Journal (2009) Pages 177-195
- Heslini, Peter A, Jenna D. Ochoa. Understanding and developing strategic corporate social responsibility Organizational Dynamics, Vol. 37, No. 2, (2008) Pages 125–144
- Huff, Leonard and Lane Kelley. Levels of Organizational Trust in Individualist versus Collectivist Societies: A seven-Nation Study. Organization Science, Vol 14. No.1 (2003) page 81-90

- Jamali, Dima. The Case for Strategic Corporate Social Responsibility in Developing Countries. *Business and Society Review*, (2007) Pages 1-27
- Jones, Candace and Elizabeth Hamilton Volpe. Organizational identification: Extending our understanding of social identities through social networks. *Journal of Organizational Behavior* Vol. 32 (2010) Pages 413-434.
- Kim, Hae-Ryong. Moonkyu Lee, Hyoung-Tark Lee, Na-Min Kim. Corporate Social Responsibility and Employee-Company Identification. *Journal of Business ethics* (2010), Pages 557-569.
- Kramer, M. R. and M. Porter (2007). "Strategy and society: the link between competitive advantage and corporate social responsibility." *Harvard Business Review*.
- Kramer, Roderick M. Trust and distrust in organizations: emerging perspectives, enduring questions. *Annual Review of Psychology*. Vol 50 (1999) Page 569-598
- Meyer JP, Stanley DJ, Herscovitch L, Topolnytsky L (2002). Affective, continuance, and Normative Commitment to the organization: A Meta analysis of Antecedents, Correlates, and Consequences, *Journal of Vocational Behavior.*, 61: Pages 20-52
- Meyer, J. P., Stanley, D. J., Herscovitch, L., & Topolnytsky, L.(2002). Affective, continuance, and normative commitment to the organization: A meta-analysis of antecedents, correlates, and consequences. *Journal of Vocational Behavior*, 61, 20–52.
- Portney, R. Paul The (Not So) New Corporate Social Responsibility: An Empirical Perspective *Oxford Journals- Social Sciences- Rev Environmental Economics and Policy* Vol. 2. (2008) Pages 261-275.
- Raven, Bertram H. Joseph Schwarzwald<sup>2</sup> and Meni Koslowsky *Journal of Applied Social Psychology*, Vol 28. (1998) Pages 307-332
- Robinson, Sandra L. Trust and Breach of psychological contract. *Administrative Science Quarterly*, Vol. 41, No. 4 (1996). Pages 574-576
- Sako, Mari. Forthcoming. Does trust improve Business Performance? Christel Lane and Reinhard Backmann. *Trust Within and Between Organizations*. Oxford University Press.



- Starnes, Becky J., Stephen A. Truhon, and Vikkie McCarthy. A primer on Organizational Trust. Organizational Trust: Employee-Employer relationship. ASQ- Division of Human Development and Leadership.
- Turker, Duygu. "How Corporate Social Responsibility Influences Organizational Commitment". Journal of Business Ethics, Vol. 89 (2009). Pages 189-204
- Valentine, Sean and Gary Fleischman. Ethics Programs, Perceived Corporate Social Responsibility and Job Satisfaction. Journal of Business ethics (2007). Page 159-172.

#### Websites Consulted:

- <http://www.theguardian.com/sustainable-business/india-csr-law-debate-business-ngo>, accessed on the 5<sup>th</sup> of October, 2014

#### Appendix (SPSS Statistics):

Figure 1: Spearson Correlation Table for all variables.

		Correlaciones				
		DISTRUST	TURNOVER	AOC	CSREXTER	CSRINTER
DISTRUST	Correlación de Pearson	1	,492**	-,534**	-,484**	-,681**
	Sig. (bilateral)		,000	,000	,000	,000
	N	210	195	171	210	210
TURNOVER	Correlación de Pearson	,492**	1	-,782**	-,485**	-,552**
	Sig. (bilateral)	,000		,000	,000	,000
	N	195	195	165	195	195
AOC	Correlación de Pearson	-,534**	-,782**	1	,373**	,547**
	Sig. (bilateral)	,000	,000		,000	,000
	N	171	165	171	171	171
CSREXTER	Correlación de Pearson	-,484**	-,485**	,373**	1	,776**
	Sig. (bilateral)	,000	,000	,000		,000
	N	210	195	171	212	210
CSRINTER	Correlación de Pearson	-,681**	-,552**	,547**	,776**	1
	Sig. (bilateral)	,000	,000	,000	,000	
	N	210	195	171	210	210

\*\* . La correlación es significativa en el nivel 0,01 (2 colas).

**Figure 2: ANOVA Linear Regressions using CSR external and distrust as predictors of Turnover Intentions and AOC:**

Resumen del modelo				
Modelo	R	R cuadrado	R cuadrado ajustado	Error estándar de la estimación
1	,479 <sup>a</sup>	,229	,225	,76917
2	,576 <sup>b</sup>	,331	,325	,71799

a. Predictores: (Constante), CSREXERN

ANOVA <sup>a</sup>						
Modelo		Suma de cuadrados	gl	Media cuadrática	F	Sig.
1	Regresión	36,563	1	36,563	61,802	,000 <sup>b</sup>
	Residuo	123,057	208	,592		
	Total	159,620	209			
2	Regresión	52,909	2	26,454	51,316	,000 <sup>c</sup>
	Residuo	106,712	207	,516		
	Total	159,620	209			

a. Variable dependiente: TURNOVER

b. Predictores: (Constante), CSREXERN

c. Predictores: (Constante), CSREXERN, DISTRUST

Resumen del modelo

Modelo	R	R cuadrado	R cuadrado ajustado	Error estándar de la estimación
1	,496 <sup>a</sup>	,246	,242	,61094
2	,672 <sup>b</sup>	,452	,447	,52214

a. Predictores: (Constante), CSREXERN

b. Predictores: (Constante), CSREXERN, DISTRUST

b. Predictores: (Constante), CSREXERN, DISTRUST

ANOVA <sup>a</sup>						
Modelo		Suma de cuadrados	gl	Media cuadrática	F	Sig.
1	Regresión	25,327	1	25,327	67,856	,000 <sup>b</sup>
	Residuo	77,637	208	,373		
	Total	102,964	209			
2	Regresión	46,529	2	23,265	85,333	,000 <sup>c</sup>
	Residuo	56,435	207	,273		
	Total	102,964	209			

a. Variable dependiente: AOC

b. Predictores: (Constante), CSREXERN

c. Predictores: (Constante), CSREXERN, DISTRUST

Figure 3: Moderating Regression for CSR External, Distrust and AOC & Interaction Plot.

ANOVA<sup>a</sup>

Modelo		Suma de cuadrados	gl	Media cuadrática	F	Sig.
1	Regresión	46,529	2	23,265	85,333	,000 <sup>b</sup>
	Residuo	56,435	207	,273		
	Total	102,964	209			
2	Regresión	47,558	3	15,853	58,941	,000 <sup>c</sup>
	Residuo	55,406	206	,269		
	Total	102,964	209			

a. Variable dependiente: AOC

Coefficientes<sup>a</sup>

Modelo		Coeficientes no estandarizados		Coeficientes estandarizados	t	Sig.
		B	Error estándar	Beta		
1	(Constante)	3,885	,308		12,630	,000
	CSREXERN	,257	,062	,245	4,166	,000
	DISTRUST	-,354	,040	-,519	-8,819	,000
2	(Constante)	4,081	,322		12,690	,000
	CSREXERN	,218	,065	,207	3,374	,001
	DISTRUST	-,353	,040	-,518	-8,864	,000
	Cextdis	,106	,054	,107	1,956	,052

a. Variable dependiente: AOC

b. Predictores: (Constante), DISTRUST, CSREXERN

c. Predictores: (Constante), DISTRUST, CSREXERN, Cextdis

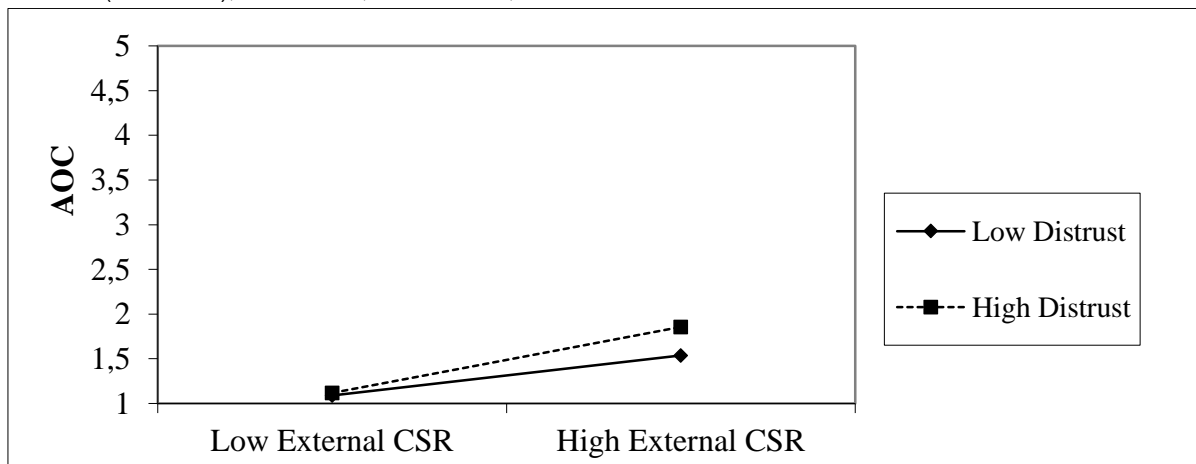


Figure 4: Moderating Regression for CSR External, Distrust and Turnover Intention

```

*****
Model = 1
  Y = TURNOVER
  X = CSREXTER
  M = DISTRUST

Sample size
  195

*****

Outcome: TURNOVER

Model Summary
      R      R-sq      MSE      F      df1      df2      p
    ,5751    ,3308    ,4902    31,4708    3,0000    191,0000    ,0000

Model
      coeff      se      t      p      LLCI      ULCI
constant    1,5342    ,8804    1,7426    ,0830    -,2024    3,2708
DISTRUST     ,7361    ,3075    2,3936    ,0177     ,1295    1,3427
CSREXTER    -,1323    ,2013    -,6573    ,5118    -,5293    ,2647
int_1       -,1114    ,0739    -1,5074    ,1334    -,2572    ,0344
  
```

Interaction Plot

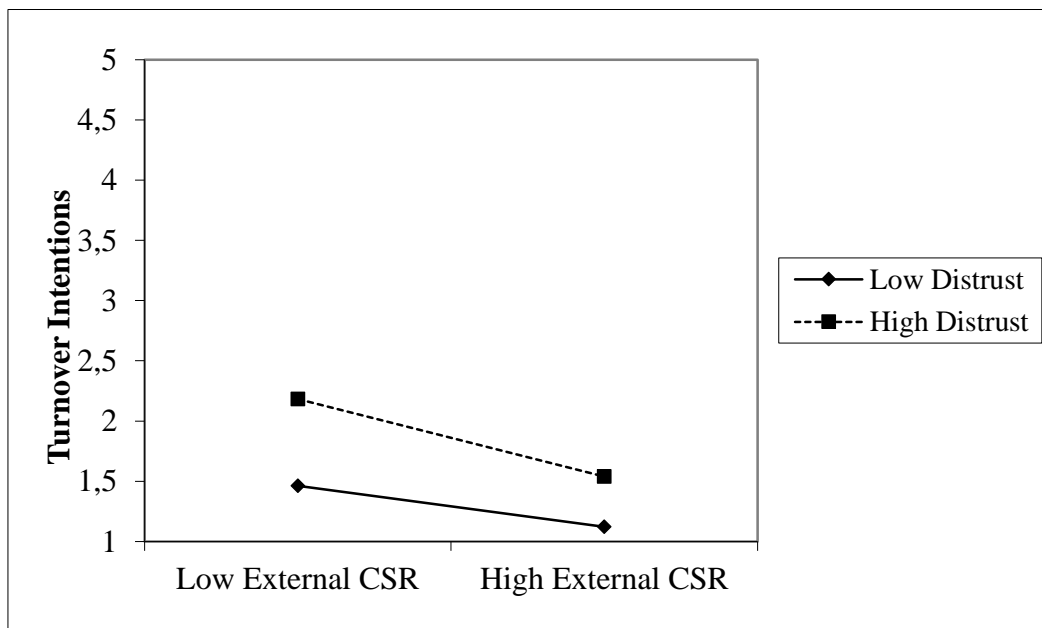


Figure 5: Harman's Single Factor Test.

Varianza total explicada						
Componente	Autovalores iniciales			Sumas de extracción de cargas al cuadrado		
	Total	% de varianza	% acumulado	Total	% de varianza	% acumulado
1	3,135	62,698	62,698	3,135	62,698	62,698
2	,886	17,720	80,418			
3	,585	11,703	92,121			
4	,198	3,967	96,089			
5	,196	3,911	100,000			

Método de extracción: análisis de componentes principales.

Matriz de componente <sup>a</sup>	
	Componente
	1
CSRINTER	,861
CSREXTER	,721
DISTRUST	-,759
TURNOVER	-,776
AOC	,835

Método de extracción: análisis de componentes principales.

a. 1 componentes extraídos.

Figure 6: Cronbach Alpha for all variables

#### Escala: CSR EXTERNAL

Resumen de procesamiento de casos			
		N	%
Casos	Válido	215	89,2
	Excluido <sup>a</sup>	26	10,8
	Total	241	100,0

a. La eliminación por lista se basa en todas las variables del procedimiento.

#### Estadísticas de fiabilidad

Alfa de Cronbach	N de elementos
,861	5

#### Escala: CSR INTERNAL

Resumen de procesamiento de casos			
		N	%
Casos	Válido	210	87,1
	Excluido <sup>a</sup>	31	12,9
	Total	241	100,0

a. La eliminación por lista se basa en todas las variables del procedimiento.

#### Estadísticas de fiabilidad

Alfa de Cronbach	N de elementos
,882	6

#### Escala: DISTRUST

Resumen de procesamiento de casos			
		N	%
Casos	Válido	210	92,5
	Excluido <sup>a</sup>	17	7,5
	Total	227	100,0

a. La eliminación por lista se basa en todas las variables del procedimiento.

#### Estadísticas de fiabilidad

Alfa de Cronbach	N de elementos
,847	4

**Escala: AOC**

Resumen de procesamiento de casos			
		N	%
Casos	Válido	210	87,1
	Excluido <sup>a</sup>	31	12,9
Total		241	100,0

a. La eliminación por lista se basa en todas las variables del procedimiento.

Estadísticas de fiabilidad	
Alfa de Cronbach	N de elementos
,829	8

**Escala: TI**

Resumen de procesamiento de casos			
		N	%
Casos	Válido	210	87,1
	Excluido <sup>a</sup>	31	12,9
Total		241	100,0

a. La eliminación por lista se basa en todas las variables del procedimiento.

Estadísticas de fiabilidad	
Alfa de Cronbach	N de elementos
,858	4

Figure 7: Descriptive Statistics:

Estadísticos descriptivos					
	N	Mínimo	Máximo	Media	Desviación estándar
CSREXERN	215	1,00	5,00	4,1062	,68299
CSRINTER	210	1,43	5,00	4,1143	,77390
DISTRUST	210	1,00	5,00	2,1226	1,02809
TURNOVER	210	1,00	5,00	1,6619	,87392
AOC	210	1,63	5,00	4,1952	,70189
N válido (por lista)	210				

**Figure 8: Non-significant moderating regressions using CSR Internal:**

```

Model = 1
  Y = TURNOVER
  X = CSRINTER
  M = DISTRUST

Sample size
  195

*****
****
Outcome: TURNOVER

Model Summary
      R      R-sq      MSE      F      df1      df2
p      ,5755      ,3312      ,4899      31,5298      3,0000      191,0000
,0000

Model
      coeff      se      t      p      LLCI
ULCI
constant      3,7004      ,8714      4,2467      ,0000      1,9817
5,4191
DISTRUST      -,0285      ,2573      -,1108      ,9119      -,5361
,4791
CSRINTER      -,5904      ,1897      -3,1117      ,0021      -,9647      -
,2162
int_1      ,0500      ,0599      ,8350      ,4048      -,0681
,1681

Interactions:

int_1      CSRINTER      X      DISTRUST

R-square increase due to interaction(s):
      R2-chng      F      df1      df2      p
int_1      ,0024      ,6972      1,0000      191,0000      ,4048

*****
Model = 1
  Y = TURNOVER
  X = CSRINTER
  M = DISTRUST

Sample size
  195

*****
Outcome: TURNOVER

Model Summary
      R      R-sq      MSE      F      df1      df2
p      ,5755      ,3312      ,4899      31,5298      3,0000      191,0000
,0000

Model

```

	coeff	se	t	p	LLCI	
ULCI						
constant	3,7004	,8714	4,2467	,0000	1,9817	
5,4191						
DISTRUST	-,0285	,2573	-,1108	,9119	-,5361	
,4791						
CSRINTER	-,5904	,1897	-3,1117	,0021	-,9647	-
,2162						
int_1	,0500	,0599	,8350	,4048	-,0681	
,1681						

Interactions:

int\_1 CSRINTER X DISTRUST

R-square increase due to interaction(s):

	R2-chng	F	df1	df2	p
int_1	,0024	,6972	1,0000	191,0000	,4048

\*\*\*\*\*  
\*\*\*